

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BONN PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

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SUBJECT: GENTLEMEN'S AGREEMENT ON EXPORT CREDITS

REF: STATE 159267

1. PLEASE PASS THE FOLLOWING MESSAGE TO THE OFFICIALS

LISTED BELOW:

BONN - ROLF LBERTH, ECONOMIC AFFAIRS

BRUSSELS - LILLIANA ARCHIBALD, EC COMMISSION; G. MORLEGHEM,
FOREIGN AFFAIRS

COPENHAGEN - B. RICHNAGEL, EXPORT CREDIT COUNCIL

DUBLIN - JAMES LOWE, INDUSTRY AND COMMERCE

HAGUE - G. LEDEBSER, FINANCE

LONDON - DERRIK SMITH, ECGD

PARIS - FRANCIS GAVOIS, ECONOMY AND FINANCE

ROME - D. ZAPPIA, TREASURY

2. U.S. BELIEVES STRONG EUROPEAN REACTION TO TWO PART EX-
EMPTION PROCEDURE FOR LARGE PROJECTS MAY MISS INTENT OF U.S.
PROPOSAL. PREVIOUS DISCUSSIONS OF A LARGE PROJECT EXEMPTION
ENTAILED NO LIMITATION ON MATURITIES AND ENVISIONED DOLS. 60
TO DOLS. 100 MILLION THRESHOLD. IN ORDER TO MEET EUROPEAN
DESIRES U.S. PROPOSAL WOULD ESTABLISH FIRM LIMITATION ON
MATURITIES OF: 10 YEARS FOR PROJECTS UNDER DOLS. 80 MILLION;
12 YEARS FOR PROJECTS OF DOLS. 80 TO DOLS. 200 MILLION AND
15 YEARS FOR THOSE FEW OF THE OVER DOLS. 200 MILLION
PROJECTS WHERE IT APPEARED ABSOLUTELY NECESSARY. U.S.
BELIEVES THAT IN THE CASE OF EXTREMELY LARGE PROJECTS:
-- PARTIES TO THE GENTLEMEN'S AGREEMENT MIGHT IN SOME IN-
STANCES WISH TO EXCEED 12 YEARS TO MAKE A PROJECT VIABLE,
AND
-- U.S. BIDS ARE USUALLY DISADVANTAGED ON LARGE PROJECTS
BECAUSE OF LOWER INTEREST RATES AND LARGER PARTICIPATION
IN FINANCING OFFERED BY OTHER PARTIES. FLEXABILITY AND
CONSULTATION COULD ALLOW SOME AGREED HARMONIZATION.

THUS, THE U.S PROPOSAL ALSO CALLED FOR PRIOR CONSULTATION
IN OVER 12 YEAR CASES IN ORDER FIRST TO ALLOW AN ATTEMPT
AT HARMONIZATION OF TERMS.

3. WITH REGARD TO THE SMITH/LOWE PROPOSAL WE WERE ALSO
CONCERNED ABOUT THE THIRD PARAGRAPH WHICH SEEMINGLY
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WOULD HAVE INDICATED TO SOME PARTIES THAT EXTENSION OF
CREDIT BEYOND 12 YEARS WOULD BE MADE ONLY UPON AN AGREED
REVISION OF THE AGREEMENT AND TO OTHER PARTIES THAT THEY
WOULD BE FREE TO DEPART FROM THE AGREED MATURITIES UPON
NOTICE AND CONSULTATION IF NEW TECHNOLOGY OR SOME SPECIAL
NATIONAL INTEREST REQUIRED IT. SUCH LANGUAGE WOULD BE
LIKELY TO LEAD TO FUTURE MISUNDERSTANDING AND RECRIMINA-
TION.

4. THE U.S. BELIEVES THE 7 JULY PROPOSAL (SEE REFTTEL) IS
A FAIR ONE. HOWEVER, U.S. COULD ALSO ACCEPT ANY OF THE
FOLLOWING FOUR PROPOSALS.

(A) THE GEBERTH COMPROMISE, INCLUDING GENERALLY APPLICABLE MATURITIES WITH DEPARTURE ONLY UPON NOTICE AND CONSULTATION. HAVE THE AGREEMENT APPLICABLE FOR A 12 MONTH TRIAL PERIOD IN ORDER TO SEE HOW IT WORKS AND PROVIDE A CHANCE TO DEVELOP UNDERSTANDING AND EXPERIENCE ON MATURITY AND MIXED CREDIT POLICIES. GOVERNMENTS CAN THEN DECIDE WHETHER THEY WISH TO RENEW THE AGREEMENT OR TO AMEND IT IN SOME MORE PRECISE FASHION.

(B) THE GEBERTH COMPROMISE AMENDED TO ADD SOME DEFINITE LIMITATIONS IN A FEW SPECIFIC SECTORS; FOR EXAMPLE THE U.S. COULD AGREE TO TEN YEARS ON THERMAL POWER PROJECTS, 10 YEARS ON STEEL PLANTS OF 1 DER DOLS. 80 MILLION IMPORT COMPONENT WITH A 12 YEAR LIMIT ON LARGER STEEL PLANTS.

(C) THE U.S. PROPOSAL OF 7 JULY (SEE REFTTEL) WITH: THE PHRASE QTE (III) TO 15 YEARS FOR PROJECTS EXCEEDING DOLS. 200 MILLION OF EXPORTS UNQTE DELETED; AND THE INTEREST RATE TABLE IN THE GEBERTH COMPROMISE AMENDED TO

SUBSTITUTE 8 PERCENT WHEREVER 7 3/4 PERCENT APPEARS AS APPLYING TO CREDITS EXCEEDING 5 YEARS MATURITY AND TO

SUBSTITUTE 7 3/4 PERCENT WHEREVER 7.5 PERCENT APPEARS AS APPLYING TO CREDITS EXCEEDING 5 YEARS MATURITY.

(D) THE U.S. PROPOSAL OF 7 JULY (SEE REFTTEL), AMENDED AS FOLLOWS:
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-- DELETE THE PHRASE QTE (III) TO 15 YEARS FOR PROJECTS EXCEEDING DOLS. 200 MILLION OF EXPORTS. UNQTE
-- APPLY MATURITY LIMITATIONS ONLY TO EXPORTS OF DOLS. 200 MILLION OR LESS; AND
-- ADD THE FOLLOWING PARAGRAPH:

QTE ON PROJECTS OF DOLS. 200 MILLION OR MORE OF EXPORT VALUE THE PARTIES WOULD AGREE TO CONSULTATION IN ORDER TO ASSURE THAT: NO PARTY'S OFFER IS DISADVANTAGED BECAUSE OF COMPETITIVE ELEMENTS OFFERED BY ANOTHER PARTY; AND THERE IS REASONABLE ASSURANCE THE IMPORTER WOULD GO FORWARD WITH THE PROJECT CONCERNED ON THE BASIS OF THE TERMS BEING OFFERED BY THE PARTIES. UNQTE. INGERSOLL

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